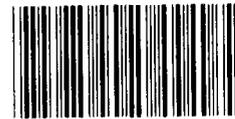


March 1988

# VA HEALTH CARE

## Delays in Awarding Major Construction Contracts



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**Human Resources Division**

B-225048

March 11, 1988

The Honorable William Proxmire  
Chairman, Subcommittee on  
HUD-Independent Agencies  
Committee on Appropriations  
United States Senate

The Honorable Edward P. Boland  
Chairman, Subcommittee on  
HUD-Independent Agencies  
Committee on Appropriations  
House of Representatives

Public Law 99-591 gave the Veterans Administration (VA) funding in fiscal year 1987 for 13 major construction projects (each estimated to cost \$2 million or more) and required that contracts for (1) working drawings be awarded by September 30, 1987, and (2) construction be awarded by September 30, 1988. The act also required VA to report to your Committees and us the projects that did not meet the September 30, 1987, time limit. Projects missing the September 30, 1988, time limit are to be reported in fiscal year 1989.

Appropriation acts for fiscal years 1984, 1985, and 1986 include similar time limits and reporting requirements for projects funded in those years. These acts require that working drawings contracts be awarded during the fiscal year in which the project funds were appropriated and construction contracts be awarded within the following fiscal year. Similar requirements are included in the fiscal year 1988 appropriation.

The acts require us to review the contracting delays for reportable projects for impoundment implications under the Impoundment Control Act of 1974. As agreed with your offices, we also assessed whether VA reported on all projects that did not meet the established time limits. To determine whether VA reported on all projects funded through these acts that have experienced contracting delays, we reviewed VA's records to verify the contract awards for the approved projects that VA did not report as being delayed. We also interviewed the assistant to the director of VA's Management and Budget Staff to determine the agency's reasons for the contracting delays. We used this information to make our impoundment determinations—whether any officer or employee of VA had ordered, permitted, or approved the establishment of a reserve.

## VA's Report of Projects Incomplete

In a December 23, 1987, letter to you, VA reported that, as of September 30, 1987, contracts for 26 projects funded by appropriations in fiscal years 1984-87 had not been awarded within the established time limits. We identified four other projects that, in our opinion, should have been included in VA's report.

VA did not report on two of the four projects because it requested additional funding for them in its fiscal year 1988 budget request submitted to the Congress in January 1987. According to VA's assistant to the director of the Management and Budget Staff, this action satisfied the appropriation act's requirement that VA report contracting delays for these projects. VA requested additional funds for the modernization of buildings at the Livermore, California, medical center because of a change in the project's scope. Additional funds were requested for fire and safety improvements at the Indianapolis, Indiana, medical center because of an error in the project's original cost estimate. The appropriation acts funding these projects required VA to award (1) a working drawings contract for the Livermore project by September 30, 1984, and (2) a construction contract for the Indianapolis project by September 30, 1987.

VA did not report on the third project, approved for Big Spring, Texas, because it had canceled the project and its fiscal year 1988 budget had included information concerning the transfer of the unused funds to VA's major construction working reserve. As with the Livermore and Indianapolis projects, VA assumed that including information about this project in the 1988 budget satisfied the appropriation act's reporting requirement. The project, originally approved to renovate a building used to provide surgical services, was canceled because the medical center's mission was changed to an extended care facility.

The fourth project involved the modernization of two buildings at the VA medical center in Tomah, Wisconsin. VA did not report on this project because a construction contract for the removal of asbestos had been awarded before the September 30, 1987, time limit. The asbestos contract obligated \$513,000, but \$6.5 million of the project's funding remained unobligated. According to VA's assistant to the director of the Management and Budget Staff, awarding a contract for any portion of a project within the time limit obviates the need to report on the project to the committees. VA awarded a contract obligating the \$6.5 million on October 23, 1987.

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## Impoundment Implications of Contract Delays

In our opinion, the contract delays for 29 of the 30 projects do not constitute an impoundment of budget authority under the Impoundment Control Act. However, we are continuing to review the impoundment implications of VA's actions concerning the project at the Big Spring medical center and will report to you at a later date regarding our conclusion concerning this project.

For the other 29 projects, VA's actions show no intent to refrain from using the funds. Information provided by VA indicates that various programmatic considerations caused the contracting delays. The most common reasons cited for delays were (1) changes in the projects' scope or (2) bids received that exceeded the funds available. VA has awarded or expects to award contracts for 22 of the 29 projects by September 30, 1988. Appendix I provides information on VA's estimated award schedule and the primary reasons for the delays in awarding the contracts for the 30 projects.

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## Conclusions

To comply with the statutory requirement, VA's report should have included all major construction projects for which contracts were delayed to enable (1) the Appropriations Committees to have the opportunity to exercise oversight concerning VA's construction activities, and (2) us to review the impoundment implications of the delays. Omitting projects because they either were included in budget requests or had contracts awarded for a minor portion of the amount appropriated circumvented the purpose of the statutory requirement.

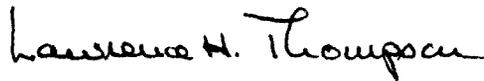
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## Recommendation to the Administrator of Veterans Affairs

We recommend that the Administrator report on all major construction projects that do not have contracts awarded within specified time limits, including those that may (1) be included in budget submissions or (2) have had contracts awarded for some but not all of the funds appropriated.

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As requested by your offices, we did not obtain written agency comments on a draft of this report. However, we discussed its contents with VA officials and incorporated their comments where appropriate. We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of Veterans Affairs; and other interested congressional parties. Copies will be made available to others on request.



Lawrence H. Thompson  
Assistant Comptroller General



# Major Construction Projects for Which Contracts Were Not Awarded As of September 30, 1987

Allen Park, Michigan	Type of project: Replacement and modernization Type of contract: Working drawings Time limit: September 30, 1986 VA estimated award: Fiscal year 1990 Reason for delay: Site acquisition and change in scope
Amarillo, Texas	Type of project: Nursing home care unit Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Modification of design
Brooklyn (St. Albans), New York	Type of project: Kitchen modernization/satellite dining area Type of contract: Working drawings/construction Time limit: September 30, 1986/September 30, 1987 VA estimated award: Fiscal year 1989/fiscal year 1990 Reason for delay: Changes in design
Big Spring, Texas	Type of project: Building renovation Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Canceled Reason for delay: Change in medical center mission
Buffalo, New York	Type of project: Research building/clinical addition Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Changes in scope
Cheyenne, Wyoming	Type of project: Building renovation/expansion for clinical functions Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Changes in scope

Appendix I  
Major Construction Projects for Which  
Contracts Were Not Awarded As of  
September 30, 1987

Chicago (West Side), Illinois	Type of project: Fire/safety, patient privacy improvements Type of contract: Working drawings/construction Time limit: September 30, 1986/September 30, 1987 VA estimated award: Fiscal year 1988/fiscal year 1989 Reason for delay: Bids exceeded funds available
Chicago (West Side), Illinois (Phase 2)	Type of project: Renovation of two buildings Type of contract: Working drawings/construction Time limit: September 30, 1986/September 30, 1987 VA estimated award: Fiscal year 1988/fiscal year 1989 Reason for delay: Bids exceeded funds available
Cleveland (Brecksville), Ohio	Type of project: Fire/safety improvements Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Incorporate asbestos abatement
Cleveland (Wade Park), Ohio	Type of project: Fire/safety improvements Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Changes to phasing of the project's construction schedule
Coatesville, Pennsylvania	Type of project: New kitchen and dining hall Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Bids exceeded funds available
Durham, North Carolina	Type of project: Clinical addition/fire and safety improvements Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Changes in scope

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East Orange, New Jersey	Type of project: Research relocation/consolidation, clinical lab expansion Type of contract: Construction Time limit: September 30, 1985 VA estimated award: Fiscal year 1989 Reason for delay: Bids exceeded funds available
Hines, Illinois	Type of project: Psychiatric replacement facility Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Bids exceeded funds available
Indianapolis, Indiana	Type of project: Fire/safety improvements Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Original cost estimate inaccurate
Livermore, California	Type of project: Building modernization Type of contract: Working drawings/construction Time limit: September 30, 1984/September 30, 1985 VA estimated award: Fiscal year 1988/fiscal year 1989 Reason for delay: Change in scope
Los Angeles, California	Type of project: Outpatient clinic building Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Bids exceeded funds available
Lyons, New Jersey	Type of project: Renovation of two buildings Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Awaiting completion of new nursing home

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Lyons, New Jersey	Type of project: Renovation building 4/intermediate care Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Architect/engineering fee exceeded limitation
Marion, Illinois	Type of project: Correction of seismic deficiencies Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1988 Reason for delay: Bids exceeded funds available
Poplar Bluff, Missouri	Type of project: Electrical distribution systems Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Bids exceeded funds available
San Diego, California	Type of project: Nonstructural seismic corrections Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1989 Reason for delay: Asbestos abatement study
San Francisco, California	Type of project: Nursing home care unit and parking structure Type of contract: Construction Time limit: September 30, 1985 VA estimated award: Fiscal year 1988 Reason for delay: Awaiting completion of parking structure
Sheridan, Wyoming	Type of project: Outpatient clinic addition Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Fiscal year 1989 Reason for delay: Changes in scope

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September 30, 1987

St Louis, Missouri	Type of project: Seismic corrections Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Bid protest
St Louis, Missouri	Type of project: Remodel building 53 Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Changes in scope
Togus, Maine	Type of project: Clinical improvements Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Completion of working drawings took longer than anticipated
Tomah, Wisconsin	Type of project: Building modernization Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1988 Reason for delay: Asbestos abatement
Tucson, Arizona	Type of project: Nursing home care unit Type of contract: Construction Time limit: September 30, 1987 VA estimated award: Fiscal year 1989 Reason for delay: Approval of nursing home design
West Los Angeles, California	Type of project: Nursing home care conversion Type of contract: Construction Time limit: September 30, 1986 VA estimated award: Delayed indefinitely Reason for delay: Cost; seismic condition and major utility defects of other buildings need to be resolved first

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